INSTITUT C.D. HOWE INSTITUTE

C.D. HOWE INSTITUTE 2010 ANNUAL REPORT

Essential Policy Intelligence

BOARD OF DIRECTORS

OUR MISSION

The C.D. Howe Institute is a national, nonpartisan, nonprofit organization that aims to improve Canadians' standard of living by fostering sound economic and social policy. The Institute promotes the application of independent research and analysis to major economic and social issues affecting the quality of life of Canadians in all regions of the country. It takes a global perspective by considering the impact of international factors on Canada and bringing insights from other jurisdictions to the discussion of Canadian public policy. Policy recommendations in the Institute's publications are founded on quality research conducted by leading experts and subject to rigorous peer review. The Institute communicates clearly the analysis and recommendations arising from its work to the general public, the media, academia, experts, and policymakers.

CHAIR

William Morneau
Executive Chairman, Morneau Shepell

VICE-CHAIR

Brian M. Levitt
Partner & Co-Chair, Osler, Hoskin & Harcourt LLP

PRESIDENT AND CHIEF EXECUTIVE OFFICER

William B.P. Robson
C.D. Howe Institute

DIRECTORS

Elyse Allan
President & CEO, GE Canada

Scott Burns
CEO, BURNCO Group of Companies

W. Edmund Clark, C.M.
President & CEO, TD Bank Financial Group

Philip C. Deck
Executive Chairman, MKS Inc.

Hélène Desmarais, C.M.
Chairman & CEO, Centre d'entreprises et d'innovation de Montréal

David Dodge, O.C.
Chancellor, Queen's University, and Senior Advisor, Bennett Jones LLP

N. Murray Edwards
President, Edco Financial Holdings Ltd.

Sheldon Elman, M.D.
Chairman & CEO, Medisys Health Group Inc.

Blake C. Goldring, M.S.M., LL.D., CFA
Chairman & CEO, AGF Management Ltd.

Bruce Gordon
Chairman, Manulife Canada

Lindsay Gordon
President & CEO, HSBC Bank Canada

Ian Greenberg
President & CEO, Astral Media Inc.

Paul J. Hill
Chairman, President & CEO, Harvard Developments Inc., A Hill Company

Dallas Howe
Chair, Potash Corporation of Saskatchewan

Tom Jenkins
Executive Chairman & Chief Strategy Officer, Open Text Corporation

Brian K. Johnston, CA
President, Monarch Corporation

Richard Legault, CA
President & CEO, Brookfield Renewable Power

Hugh L. MacKinnon
Chairman & CEO, Bennett Jones LLP

Al Monaco
President, Gas Pipelines, Green Energy & International, Enbridge Inc.

David Mondragon
President & CEO, Ford Motor Company of Canada, Limited

Gilles G. Ouellette
President & CEO, Private Client Group, BMO Financial Group, and Deputy Chair, BMO Nesbitt Burns

Steven Parker
Chairman & CEO, The CCL Group

Laurence M. Pollock
President & CEO, Canadian Western Bank

Tracy Redies
President & CEO, Coast Capital Savings Credit Union

Aaron Regent
President & CEO, Barrick Gold Corporation

Donald S. Reimer
Chairman & CEO, Reimer World Corp.

Joseph L. Rotman, O.C.
Chairman, Roy-L Capital Corporation

Catherine Swift
President & CEO, Canadian Federation of Independent Business

Henry W. Sykes, Q.C.
President, MGM Energy Corp.

Leonard Waverman
Dean, Haskayne School of Business, University of Calgary

Alfred G. Wirth
President & Chief Investment Officer, HNW Management Inc.

HONORARY DIRECTORS

Robert D. Brown, FCA

Marshall A. Cohen, C.C., Q.C.
Counsel, Cassels, Brock & Blackwell, LLP

Tim Hearn
Chairman, Hearn & Associates

C. Kent Jespersen
Chairman & CEO, La Jolla Resources International Ltd.

John D. McNeil

Edward P. Neufeld

Roger Phillips, O.C., S.O.M.

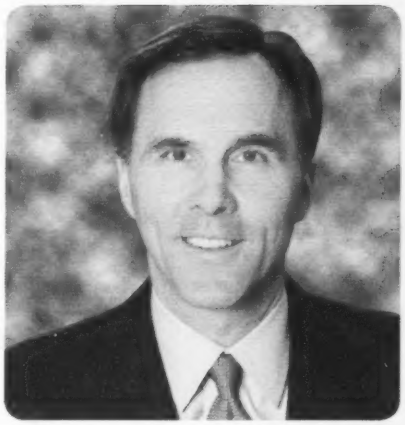
Guy Savard, C.M., FCA
Chairman, Merrill Lynch Canada Inc.

Adam H. Zimmerman, O.C.

CREDITS: DIRECTOR OF COMMUNICATIONS HAL KOBLIN; DESIGN BY YANG ZHAO; STAFF PHOTOS, CLICK-IT PHOTOGRAPHY; PRINT BY RICOH CANADA INC.

A MESSAGE FROM THE CHAIRMAN

Building on an Unmatched Legacy in Canadian Public Life



William Morneau,
Chair, C.D. Howe Institute

Altruism in western culture is the belief that many accomplishments are made while "standing on the shoulders of giants." From the perspective of someone who has been C.D. Howe Institute Chair for a short time, I am very aware of the fundamental truth underlying this maxim.

Every action the Institute takes is built on a legacy of credibility, objectivity and timeliness unmatched in Canadian public life.

On a personal note, I think of my predecessor as Institute Chair, David Dodge, a man who is a giant in Canadian public service. His term as Institute Chair coincided with some of the most challenging years of the recent global financial crisis. Notwithstanding the many challenges that affected Institute members and the broader Canadian economy, the Institute prospered, and produced two record years of policy research and events on his watch.

The Institute made significant strides in 2010. Publication downloads increased significantly, we offered well-attended events in key cities across Canada, and our funding base continued to increase.

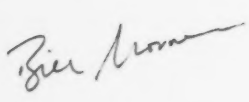
David's drive and vision also helped bring the Institute's Monetary Policy Initiative to fruition. A two-year campaign secured $1.725 million in endowment contributions that we celebrated last May at a fundraising dinner yielding an additional $300,000 in ticket sales. We were proud to announce the creation of the David Dodge Chair in Monetary Policy, in the presence of nearly 400 of the Institute's closest friends, including the current Governor of the Bank of Canada, and three former governors.

Special thanks are due to the Institute's members and supporters, to the senior scholars across Canada who play such an important role in our research and conferences; to the Institute's staff; and to President & CEO Bill Robson and Senior Vice-President & COO Duncan Munn for their leadership.

I also want to thank and acknowledge Marc Dutil, Peter George, Tim Hearn, Bill MacKinnon, Sabi Marwah (who also did a wonderful job as Chair of the Board's Audit, Finance & Risk Committee), David O'Brien, Herb Pinder and Guy Savard, whose terms on the Board have ended, for their hard work and dedication to the Institute. I am particularly grateful that Tim Hearn, Guy Savard, and Bill MacKinnon will be maintaining their involvement with our organization – Tim and Guy have accepted appointments as Honorary Directors, and Bill will remain as co-Chair of the Fiscal and Tax Competitiveness Council. I also welcome Ford of Canada CEO David Mondragon, who was appointed to the Board in 2010. Further, we are very proud that David Dodge will continue to play an active role at the Institute, as a Director, as a conference speaker, and as an author.

Looking ahead, our task is to continue building our support base, so that our resources are appropriately solid and diversified. Our policy work could not take place without the generosity and involvement of our members and supporters.

I am confident that we will continue to live up to the legacy of the scholars and policy leaders whose work at the Institute has strengthened Canada's economy and social fabric for more than five decades. Our country deserves no less.



"Looking ahead, our task is to continue building our support base, so that our resources are appropriately solid and diversified. Our policy work could not take place without the generosity and involvement of our members and supporters."

MESSAGE FROM THE PRESIDENT & CEO

Our Policy Work Touched Virtually Every Building Block for National Prosperity

For many Canadian families, businesses and policymakers, 2010 marked a welcome change from the previous two years. Low interest rates on high-quality debt and solid world demand for key products were a tonic for our economy. The job market firmed, incomes rose, investment surged, and buoyant tax revenues started prompting downward revisions to projections of government borrowing.

At the C.D. Howe Institute, the abatement of short-term fears about the economy prompted us to rebalance our research program. Around the world, political turmoil, unsustainable sovereign debt and distorted central bank balance sheets are creating myriad policy challenges. Closer to home, Canada is facing demographic and sectoral pressures and the multifaceted task of raising productivity.

In November 2010, the Board approved a new strategic plan for the Institute. Macroeconomics continues as a mainstay, while work on several vital longer-term issues will proceed with fresh energy.

- In May, close to 400 Institute supporters attended a gala dinner addressed by Bank of Canada Governor Mark Carney to celebrate the launch of our new initiative on monetary and macrofinancial policy, and McGill professor Christopher Ragan's appointment to the Institute's new David Dodge Chair.
- We prepared to launch an ambitious new research series on healthcare reform in 2011. Last November's annual Benefactor's Lecture, delivered by eminent historian Michael Bliss, prefigured upcoming work on reforms to healthcare financing and delivery.
- Our Fiscal and Tax Competitiveness Council will proceed with a fresh mandate to promote a sustainable Canadian fiscal advantage, in which governments' budgetary policies support work, saving, and investment.
- More broadly, we are maintaining our focus on social policy, good government, financial services regulation and retirement saving, and increasing our focus on energy infrastructure; all are critical to Canada's future prosperity.

Looking back from the vantage of early 2011, I am struck by the degree to which our policy research, conferences and outreach touched virtually every building block for national prosperity with interventions that were pertinent and timely. In field after field, the C.D. Howe Institute expanded its reputation for top-quality, policy-relevant advice.

That excellence won fresh recognition. The *Commentary* on the benefits and costs of fiscal stimulus internationally by Fellow-in-Residence Bev Dahlby of the University of Alberta won the 2010 Doug Purvis Memorial Prize from the Canadian Economics Association – the fourth time an Institute publication has won this prestigious prize since its establishment in 1994.

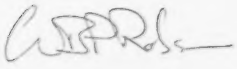
The Institute's friends can also take pride in the extent to which policymakers, business leaders and opinion makers sought the expertise of its staff and its scholars in 2010. A January pre-budget session with Prime Minister Stephen Harper was only the beginning – federal and provincial finance ministers, deputy ministers and departments, international think tanks and NGOs, and industry associations and universities across Canada sought the Institute's collaboration and counsel.

Our own outreach and events program reached a new level in 2010, and the opportunities the Institute presents for deep and timely insight from experts remained unparalleled. As the following pages detail, we were active from Victoria to Halifax, with speaking engagements, dinners, conferences, and unique off-the-record roundtables that featured federal and provincial cabinet ministers, business leaders, ambassadors to and from Canada, and world renowned scholars.

William B.P. Robson,
President and CEO

I close by noting the passing in 2010 of Carl Beigie, whose leadership of the Institute from 1971 through 1982 launched it as a highly-respected, nationally prominent policy think tank. To celebrate his accomplishments, the Institute has named an annual roundtable in his memory. We held the inaugural Carl Beigie Roundtable in April, 2010, with David Jacobson, the United States Ambassador to Canada, as speaker.

It is particularly a pleasure, as we look ahead to the challenges of 2011 and beyond, to thank the Institute's members and subscribers for the support that enabled us to perform so well in 2010. Your participation is the foundation for our research, events and outreach – everything the Institute does to promote a more dynamic Canadian economy. We never forget it, and we will work every bit as hard to earn it again in 2011.



"In field after field, the C.D. Howe Institute expanded its reputation for top-quality, policy-relevant advice."

Duncan Munn
Vice-President and COO

A MESSAGE FROM THE SENIOR VICE-PRESIDENT AND COO

2010 Goals and Results

The Institute made significant progress on its strategic objectives in 2010.

Thanks to stabilized membership revenues and growing restricted fund revenues, the Institute was able to make targeted investments aimed at building its research infrastructure and its presence in key centres across Canada. Membership contributions and donations in 2010 increased by 13.5%, relative to 2009.

We could not have achieved our objectives in 2010 without the generosity and involvement of our members and supporters. Special thanks are also due to the Institute's authors and conference/roundtable speakers, and to the Institute's staff, who continually go beyond the call of duty.

Goal: Stabilize the Institute's membership base, which declined in the wake of the 2008-09 economic downturn.

Result: A number of corporate members who had resigned for financial reasons during the economic downturn rejoined, and we secured a number of new high profile individual, corporate and association memberships. Our membership base is the backbone of our financial support, and further bolstering is vital to our continued strength.

Goal: Strengthen the Institute's presence in key centres across Canada.

Result: We increased our ability to publish important research on Quebec. We more than doubled the French-speaking staff at the Institute in 2010. This is having a major impact on our French-language publications, and on our media coverage in *La Presse, Le Devoir, Le Soleil,* and *Radio Canada*. We also allocated funding to ensure that no less than one publication per quarter is published in French, to enhance the impact of our work on issues in Quebec.

Result: We strengthened our presence in Western Canada. We held a major policy conference with the University of Alberta on the Province's fiscal policy challenges, and a policy dinner in Calgary featuring four chief bank economists. The Institute also published 7 research papers on issues of special relevance to the West, and held 6 roundtables and policy events in Winnipeg, Calgary, Edmonton and Vancouver.

Goal: Strengthen the Institute's ability to respond effectively to government, media, and member requests for research and analysis on monetary and macro financial policy.

Result: The Institute celebrated the completion of fundraising for the Monetary Policy Initiative with almost 400 of its friends and supporters in May 2010. More than $2 million was contributed by lead sponors and ticket purchasers in support of the Institute's monetary policy programs. More information on the Initiative can be found on page 14.

Goal: Secure the resources to launch a new Healthcare Policy Program.

Result: Pfizer Canada made a $400,000 gift to fund research and conferences on health policy, the fourth-largest gift in the Institute's 50+ year history. It was offered on a completely philanthropic basis, with full respect for the Institute's commitment to academic independence and research objectivity.

Goal: Continue to increase the size of the Institute's endowment, to enable the Institute to endure future economic storms and to enable more effective long-term planning and realization of research and dissemination projects.

Result: The Institute increased its endowment by 17.6 percent in 2010, thanks to continuing member support for endowed gifts, and the strength of its endowment investment policies.

Goal: Continue to increase dissemination.

Result: Website publication downloads continued to increase, hitting an all-time high of more than 1 million downloads in 2010.

"We could not have achieved our objectives in 2010 without the generosity and involvement of our members and supporters."

THE INSTITUTE'S 2010 RESEARCH MISSION

The C.D. Howe Institute responded to the wide range of pressures confronting policymakers in 2010 with 52 research publications, 47 policy roundtables, conferences and policy events, and eight meetings of the Monetary Policy Council. Our primary focus, as Canada contemplated recovery from a financial market shock and economic recession, was on sound money, a stable financial system, responsive social policy and secure pensions, and dynamic, competitive, productive markets: these are the features of a strong society and economy, and these are the issues on which the Institute focuses.

Work on the nation's **Monetary Policy** is spearheaded by the Institute's Monetary Policy Council; the new, generously funded Monetary Policy Initiative, launched in 2010, will generate research publications and advice that will inform the public and the Bank of Canada in 2011 and beyond. In addition to the Institute's Fellow-in-Residence, Professor David Laidler, our monetary policy program in 2010 gained the inaugural David Dodge Chair in Monetary Policy, Professor Christopher Ragan, whose expertise will sustain Institute research in future.

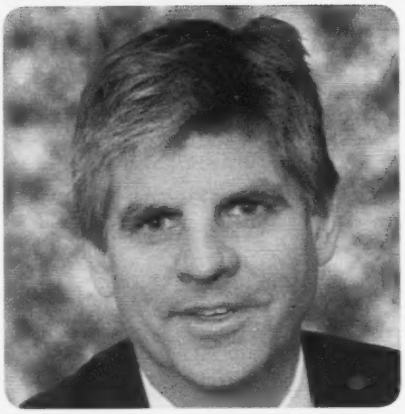
The **Fiscal and Tax Competitiveness Council**, co-chaired by Bill MacKinnon and Bob Brown, oversees the Institute's fiscal policy publications, aimed at choices which support a strong growth environment and promote investment in Canadians' productive capacity, while providing the revenue needed to sustain core government programs. In 2010 the Council was assisted by Professor Bev Dahlby, whose 2009 C.D. Howe publication, "Once on the Lips, Forever on the Hips: A Benefit-Cost Analysis of Fiscal Stimulus in OECD Countries," won the Doug Purvis Memorial Prize for public policy research, awarded by the Canadian Economics Association and the Canadian Association of Business Economists.

The **Financial Services Research Initiative**, chaired by Edward Neufeld, guides the Institute's work on financial sector and regulatory matters. In 2010, our publications examined issues that are central to the financial crisis and recovery: the payments system, the use of ratings, securitization, bank failure, housing markets and institutional stability.

The Institute's **Pensions Advisory Council**, co-chaired by Claude Lamoureux and Nicholas Le Pan, focuses on pensions, pension adequacy and regulation, and savings-related matters. All of these issues are critically important to an economy facing the demographic challenges caused by an aging population.

None of this, of course, could happen without the generous support of our members, the participants in the Institute's advisory groups, or the intellect, skills and energy of our authors, many of whom are engaged in busy academic lives. We are immensely grateful to the scholars, fellows, and government and business policy leaders who advise, comment on and referee the Institute's publications and contribute their insight and expertise to our roundtables and conferences.

The research team that coordinates the Institute's work, which in 2010 featured Philippe Bergevin, Colin Busby, Ben Dachis and Alexandre Laurin, relies on the executive assistance of Kristine Gray. We are dependent on and thank our Editor and Director of Media James Fleming, and Graphic Designer Yang Zhao. We are grateful as well to the Institute's members and our public and private sector colleagues, for their active engagement in, and support of, the Institute's policy research program.



Finn Poschmann
Vice President, Research

Bev Dahlby's "Once on the Lips, Forever on the Hips: A Benefit-Cost Analysis of Fiscal Stimulus in OECD Countries," won the Doug Purvis Memorial Prize for public policy research.

Fiscal Policy

FISCAL AND TAX POLICY PUBLICATIONS IN 2010

"Energy Prices and Alberta Government Revenue Volatility," Stuart Landon and Constance Smith

"The Glacier Grinds Closer: How Demographics Will Change Canada's Fiscal Landscape," William B.P. Robson

"Le Budget 2010 du Québec: Effets sur la taille et la progressivité du fardeau fiscal," Alexandre Laurin

"Target Practice Needed: Canada's 2010 Fiscal Accountability Rankings," Colin Busby and William B.P. Robson

"Back to Balance: A Shadow Federal Budget for 2010," Alexandre Laurin, William B.P. Robson, Colin Busby, and Finn Poschmann

"Saver's Choice: Comparing the Marginal Effective Tax Burdens on RRSPs and TFSAs," Alexandre Laurin and Finn Poschmann

The beginning of global economic recovery in 2010 saw domestic fiscal policy switch focus from economic stimulus to debt concerns and deficit elimination. And in "Back to Balance: A Shadow Federal Budget for 2010," Alexandre Laurin, William Robson, Colin Busby and Finn Poschmann made the case for targeted spending restraints, rather than increasing taxes; scaling back federal employment; raising the employee contribution to the cost of federal pensions; containing defense spending growth; and limiting growth in federal transfers to the provinces.

The long-term benefits of tackling federal and provincial budgetary deficits were made clear in "The Glacier Grinds Closer: How Demographics Will Change Canada's Fiscal Landscape." Written by William Robson, this study calculated that ongoing spending trends on age-sensitive programs – healthcare, education, elderly and children's benefits – represent an implicit liability of $2.8 trillion for Canadian governments' balance sheets. The study concludes that prompt corrective action is required to avoid intolerable future fiscal burdens.

Institute research also focused on the difficulty that governments have sticking to budget projections, leaving them more vulnerable than necessary to the budgetary impacts of the financial crisis. In "Target Practice Needed: Canada's 2010 Fiscal Accountability Rankings," Colin Busby and William Robson showed that government spending overruns and missed revenue targets were a common occurrence in Canada over the last ten years. The paper underlined the need for more careful revenue projections, tighter spending scrutiny and better oversight by legislators.

In Quebec, the 2010 provincial budget aimed at restoring public finances to a sustainable footing. The budget, which contemplated spending cuts along with sales tax rate increases and new health premiums, drew some criticism over its apparent distributional inequity. However, in "Le Budget 2010 du Québec: Effets sur la taille et la progressivité du fardeau fiscal," the Institute's Alexandre Laurin showed that even with the new tax measures, Quebec's tax system would remain the most geared-to-income in Canada and, for good or ill, that Quebec's top income earners would remain the most heavily taxed in the country.

In Alberta, the government's dependence on highly volatile, energy-related sources of revenues have made its fiscal revenues considerably more volatile than those of other provinces. A study by Stuart Landon and Constance Smith, "Energy Prices and Alberta Government Revenue Volatility," proposed the creation of a resource revenue stabilization fund to make the province's revenues more predictable, thus helping to curb pro-cyclical fiscal planning.

The research team: from left,
Associate Vice President, Daniel Schwanen;
Policy Analyst, Benjamin Dachis;
Associate Director of Research, Alexandre Laurin;
Policy Analyst, Philippe Bergevin;
Senior Policy Analyst, Colin Busby; and
Vice President, Research, Finn Poschmann

FISCAL AND TAX COMPETIVENESS COUNCIL IN 2010

CO-CHAIRS

Robert D. Brown

William A. MacKinnon (Chair, The Canadian Institute of Chartered Accountants)

Tracey Ball, Executive Vice President & Chief Financial Officer, Canadian Western Bank

Richard M. Bird, University of Toronto

Douglas D. Bruce, Director of Research, Canadian Federation of Independent Business

Bev Dahlby, Department of Economics, University of Alberta

David Daly, Manager, Fiscal Policy, Canadian Association of Petroleum Producers

Pierre Desloges, Vice-President, Taxation, The Great-West Life Assurance Company

Tom Di Emanuele, Director of Taxation, IBM Canada Ltd.

Steven Easson, Vice President and Chief Actuary, Canadian Life and Health Insurance Association Inc.

Ross Hagemeister, Director of Tax – Canada, Cargill Limited

Paul Hickey, Partner-in-Charge, National Tax, KPMG LLP

Brenda Kenny, President, Canadian Energy Pipeline Association

Jonathan Kesselman, Simon Fraser University

George McAllister, Executive Director of Tax Policy, Department of Finance, Province of New Brunswick

Kenneth J. McKenzie, Department of Economics, University of Calgary

Carman R. McNary, Partner, Fraser Milner Casgrain LLP

James B. Milway, Executive Director, The Institute for Competitiveness and Prosperity

Robert E. Mitchell, Associate Director, Corporate Tax, Procter & Gamble Inc.

William Molson

Al Monaco, President, Gas Pipelines, Green Energy & Intl, Enbridge Inc.

Luc Monty, Asst DM, Budgetary Policy, and Economics Québec Ministère des Finances

Blair Nixon, Chief Financial Officer, Walton Global Investments Ltd.

Michael J. O'Connor, SVP, Tax, Sun Life Financial Inc.

James S. Palmer, Chairman, Burnet, Duckworth & Palmer, LLP

Nick Pantaleo, Leader, Canadian National Tax Services, PwC

Jocelin Paradis, VP Taxation Canada, Rio Tinto Alcan

David F. Podruzny, Vice-President, Business and Economics, Chemistry Industry Association of Canada

Shawn D. Porter, Senior Tax Partner, Deloitte

Roger Sanson, Team Lead, Tax Regulatory & Cross Border, EnCana Corporation

Michael Smart, Department of Economics, University of Toronto

David Stewart-Patterson, Executive Vice President, Canadian Council of Chief Executives

Ted Tomkowiak, Senior Vice President, Taxation, RBC

Geoff Trueman, Director, Business Income Tax Division, Department of Finance Canada

Thomas A. Wilson, Senior Advisor, Institute for Policy Analysis, University of Toronto

Monetary Policy

The Insititute increased its focus on monetary policy and macroeconomic-related research in response to the global financial crisis that began in 2007-08. This decision was based on two factors: a belief that this area is central to national prosperity, and that the Institute should respond to the increased volume of requests for information and policy advice from government, the public service, private sector leaders and media. Following the conclusion of a successful fundraising campaign (please see page 14), the Institute celebrated its Monetary Policy Initiative on May 17, 2010.

Turning to policy matters, while the economic outlook for Canada considerably brightened in 2010, much uncertainty remains as to the sustainability of the current economic recovery. The need and demand for monetary policy research remains high, particularly with respect to macroeconomic and financial stability.

In the Canadian context, the imminent renewal of the monetary policy agreement between the Bank of Canada and the Canadian government was top of mind for many policymakers and researchers in 2010. To provide a comprehensive analysis of issues related with this renewal, the Institute published "Securing Monetary Stability, Canada's Monetary Policy Regime after 2011." Edited by David Laidler, this book features a number of preeminent monetary policy thinkers, including among others Jean Boivin and John Crow, on the challenges and opportunities associated with the renewal of Canada's inflation targeting regime.

Finally, the Institute's Monetary Policy Council continued to play a key role as one of the foremost resources for financial-market and monetary economists in Canada. The Council, composed of 12 of Canada's most distinguished financial market and monetary economists, provides the Bank of Canada, financial-market participants and economic policy commentators with a regular independent assessment of the appropriate stance of Canadian monetary policy.

MONETARY POLICY PUBLICATIONS IN 2010

"Faceoff: Should the Bank of Canada Release its Projections of the Interest Rate Path? – The Cases For and Against," Pierre Siklos and Andrew Spence

"Putting Money Back into Monetary Policy: A Monetary Anchor for Price and Financial Stability," David Laidler and Philippe Bergevin

"Greater Transparency Needed," [on Bank of Canada rate setting], Angelo Melino and Michael Parkin

"The Loonie's Flirtation with Parity: Prospects and Policy Implications," Philippe Bergevin and Colin Busby

"Securing Monetary Stability: Canada's Monetary Regime after 2011," C.D. Howe Institute book edited by David Laidler

"Room for Manoeuvre – Monetary Policy Over the Next Eighteen Months, and the Allure of Price-Level Targeting," Philippe Bergevin and David Laidler

"Taking Monetary Aggregates Seriously," Angelo Melino

"How Soon? How Fast? Interest Rates and Other Monetary Policy Decisions in 2010," Michael Parkin

MONETARY POLICY COUNCIL IN 2010

CHAIR, William B.P Robson

Edward A. Carmichael, Ontario Municipal Employees Retirement System (OMERS)

Sheryl King, BofA Merrill Lynch Global Research

Thorsten Koeppl, Queen's University

David Laidler, University of Western Ontario

Angelo Melino, University of Toronto

Michael Parkin, University of Western Ontario

Doug Porter, BMO Capital Markets

Christopher Ragan, McGill University and David Dodge Chair in Monetary Policy, C.D. Howe Institute

Angela Redish, University of British Columbia

Nicholas Rowe, Carleton University

Avery Shenfeld, CIBC World Markets Inc.

Pierre Siklos, Wilfrid Laurier University

Andrew Spence, TD Securities

Craig Wright, RBC Financial Group

International Policy

Canada's prosperity is strongly linked to its success in finding international markets for goods and services, and its ability to compete for international investment and talent. International and trade policy continued to be a priority at the Institute in 2010, through publications and particularly in our Roundtable program.

Among published works, Michael Hart – Professor and Simon Reisman Chair in Trade Policy at the Norman Paterson School of International Affairs at Carleton University in Ottawa – analyzed issues surrounding the Canada-US border and proposed steps to reduce obstacles to cross-border trade and investment. In his paper, *"A Matter of Trust: Expanding the Preclearance of Commerce between Canada and the United States,"* Professor Hart argued that preclearance of people and goods before they arrive at the physical border offers one of the best ways to address cross-border obstacles while ensuring public security.

In "Trend Spotting: NAFTA Disputes After Fifteen Years," trade law and policy specialist Lawrence Herman, an international trade lawyer at Cassels Brock, pointed out that recent cross-border disputes under NAFTA have been dominated by investor complaints over provincial actions, but that Ottawa must carry the legal and financial ball in court. Who in the end is really responsible, and who should pay? Mr. Herman suggested that the federal government and the provinces should settle these questions before the problem grows bigger.

Notable Roundtable speakers included: His Excellency Shashishekar M. Gavai, High Commissioner to Canada from India, on *Canada and the Rise of India*; Wendy Dobson, Professor and Director, Institute for International Business, Rotman School of Management, on *Can the G20 Survive the Global Financial Crisis?*; Dr. William Gale, Arjay and Frances Miller Chair in Economic Policy, who delivered the annual Mintz seminar on *Train Wreck: Status Report on America's Looming Fiscal Crisis*; Anthony Cary, British High Commissioner to Canada, on *The Age of Austerity: Britain's Budget Challenges and Priorities*; David Mulroney, Ambassador of Canada to the People's Republic of China, on *New Directions in the Canada–China Relationship*; and Stewart Beck, High Commissioner of Canada to the Republic of India, on *Canada–India: Where Knowledge Economies Meet*.

David Jacobson, United States Ambassador to Canada, delivered the inaugural Carl Beigie lecture in April 2010, on *The Canada–US Border and the Mutual Defense of North America*. Mr. Jacobson argued that finding the right balance between security and border efficiency is critical to the economies of both Canada and the United States. Ambassador Jacobson offered a candid assessment of what works and what does not and, while ensuring the security of both countries, how best to enable the efficient transit of travelers and commerce.

OTHER EVENTS INCLUDED:

"Global Financial Turmoil: Challenges and Opportunities for Canada," featuring David Dodge, Senior Advisor, Bennett Jones LLP and former Governor, Bank of Canada.

"Better Together: The Costs and Benefits of an integrated North American Cap-and-Trade Policy," a major conference in Washington DC, organized with the Petersen Institute, that explored how best to reconcile the environmental and economic interests of Canada and the United States. Among the speakers was Gary Doer, Ambassador of Canada to the United States.

"Canada-EU Relations at a Crossroads: What Does It Mean for Canada? – the 2010 Sylvia Ostry Lecture," featuring Ross Hornby, Ambassador of Canada to the European Union.

Michael Koerner and David Jacobson, United States Ambassador to Canada

Economic Growth and Innovation

Financial markets and financial services were again at the forefront of the Institute's research agenda in 2010. The Institute looked at the potential underpinnings of financial crises, from examining the risks of a housing bust in Canada, to the use and misuse of credit ratings. Warding off financial market failure was the key theme of work from former Bank of Canada Deputy Governor David Longworth, and Clyde Goodlet that showed the large costs associated with – and high thresholds for invoking – policies that bail out financial institutions considered too big to fail. And C.D. Howe Institute Policy Analyst Philippe Bergevin made the case for reforming outdated policies to enable competition in Canada's credit and debit card markets.

Energy and environmental policy was also a major focus. Research publications included studies on the interaction of Canadian and United States emissions abatement, the regional impacts within Canada of domestic environment policy, and the benefits of smarter pricing and greater provincial integration in electricity.

As the labour market began to improve in 2010, the Institute looked at ways to strengthen policies aimed at market resilience. These ranged from reducing barriers that impede the ability of workers to move between provinces; to providing Canada's workers more investment in productive capacity (more and better tools to do their jobs better); to improving Aboriginal educational performance; to showing the unintended consequences on wages and strikes of public- and private-sector labour legislation.

The Institute also published two major studies on key issues in the telecommunications and broadcasting sector. The first pointed to the future of competition, regulation and Canadian content in Canadian entertainment, as television and the internet change faster than regulators can respond. The second addressed how the federal government should allocate scarce wireless spectrum, which is vital to the development of data and telecommunications networks, especially as analog transmission frequencies are reallocated to data intensive, mobile uses.

The Hon. James Flaherty, Minister of Finance, briefing members at an Institute Roundtable

ECONOMIC GROWTH AND INNOVATION PUBLICATIONS IN 2010

"The Canadian ABS Market: Where Do We Go From Here?" David C. Allan and Philippe Bergevin

"The Eco-Fee Imbroglio: Lessons from Ontario's Troubled Experiment in Charging for Waste Management," Andrew Green and Michael Trebilcock

"Warding Off Financial Market Failure: How to Avoid Squeezed Margins and Bad Haircuts," David Longworth

"Taxing Emissions, Not Income: How to Moderate the Regional Impact of Federal Environment Policy," Jotham Peters, Chris Bataille, Nic Rivers and Mark Jaccard

"Disarmed and Disadvantaged: Canada's Workers Need More Physical Capital to Confront the Productivity Challenge," Colin Busby and William B.P. Robson

"Too Big to Fail: A Misguided Policy in Times of Financial Turmoil," Clyde Goodlet

"Not Here? Housing Market Policy and the Risk of a Housing Bust," Jim MacGee

"Better Together? The Implications of Linking Canada – US Greenhouse Gas Policies," Dave Sawyer and Carolyn Fischer

"Power Sharing: Developing Inter-Provincial Electricity Trade," Jan Carr

"The Laws of Unintended Consequence: The Effect of Labour Legislation on Wages and Strikes," Benjamin Dachis and Robert Hebdon

"Who Can Work Where: Reducing Barriers to Labour Mobility in Canada," Robert Knox

"Manitoba's Demographic Challenge: Why Improving Aboriginal Education Outcomes is Vital for Economic Prosperity," Colin Busby

"Solving Spectrum Gridlock: Reforms to Liberalize Radio Spectrum Management in Canada in the Face of Growing Scarcity," Martin Cave and Adrian Foster

"Addicted to Ratings: The Case for Reducing Governments' Reliance on Credit Ratings," Philippe Bergevin

"Change is in the Cards: Competition in the Canadian Debit Card Market," Philippe Bergevin

"Scrambled Signals: Canadian Content Policies in a World of Technological Abundance," Lawson A.W. Hunter, Edward Iacobucci, and Michael J. Trebilcock

"The Price Isn't Right: The Need for Reform in Consumer Electricity Pricing," Donald N. Dewees

Dr. Nouriel Roubini, a professor in the NYU Stern School of Business and the Chairman of Roubini Global Economics, spoke to Institute members on Sept. 8, 2010. Pictured are Professor Roubini, Philip C. Deck, Paul R. Stanley and Dave Glass

MEMBERS OF THE FINANCIAL SERVICES RESEARCH INITIATIVE IN 2010

CHAIR

Edward Neufeld

Ross Anderson, Scotiabank

James C. Baillie, Torys LLP

David E. Bond, Esithroc Enterprises Ltd.

Terry Campbell, Canadian Bankers Association

Mario Causarano, AGF Trust Company

Bryan Davies, Canada Deposit Insurance Corporation

Joanne De Laurentiis, The Investment Funds Institute of Canada

Patrick Deutscher, Ontario Ministry of Finance

Peter Drake, Fidelity Investments

Marc Duhamel, Industry Canada

Janet Ecker, Toronto Financial Services Alliance

Walter Engert, Office of the Superintendent of Financial Institutions Canada

Oliver Fratzscher, Caisse de dépôt et placement du Québec

Charles Freedman, Carleton University

Aron Gampel, Scotiabank

Blake C. Goldring, AGF Management Limited

Steven Gonzalez, Industry Canada

Gilles Gratton, Intact Insurance

Doug Harris, Investment Industry Regulatory Organization of Canada

Warren J. Jestin, Scotiabank

Patrick Kennedy, Canadian Imperial Bank of Commerce

James T. Kiernan, Cornerstone Capital Partners LP

David Laidler, C.D. Howe Institute

Michael Landry, Manulife Financial

Brenda Leong, British Columbia Securities Commission

Howie Millard, TD Bank Financial Group

Anne-Marie Monteith, Industry Canada

Jane Pearse, Department of Finance Canada

David Phillips, Credit Union Central of Canada

Greg Pollock, Advocis

Paul Rooney, Manulife Canada

Pierre Siklos, Wilfrid Laurier University

Frank Swedlove, Canadian Life and Health Insurance Association Inc.

Earl Sweet, BMO Financial Group

Peter Teti, N M Rothschild & Sons Canada Limited

Eric Tsang, Canada Mortgage and Housing Corporation

Eric Tuer, Bank of Canada

Peter Tzanetakis, Advocis

David K. Walker, Canada Deposit Insurance Corporation

David Whyte, Sun Life Financial Inc.

Susan Wolburgh Jenah, Investment Industry Regulatory Organization of Canada

Craig Wright, RBC Financial Group

Marion G. Wrobel, Canadian Bankers Association

Barbara Zvan, Ontario Teachers' Pension Plan

Social Policy

SOCIAL POLICY PUBLICATIONS IN 2010

"Critical Condition: A Historian's Prognosis on Canada's Aging Healthcare System," Michael Bliss

"Fatal Flaws: Assessing Quebec's Failed Health Deductible Proposal," Mark Stabile and Sevil N-Marandi

"The Payoff: Returns to University, College and Trades Education in Canada, 1980 to 2005," Daniel Boothby and Torben Drewes

"British Columbia's Best Schools: Where Teachers Make the Difference," David Johnson

"Reducing Lone-Parent Poverty in Canada – A Canadian Success Story," John Richards

"School Grades: Identifying Alberta's Best Schools, an Update," David Johnson

"Down but Not Out: Reforming Social Assistance Rules that Punish the Poor for Saving," John Stapleton

As Canadian economic growth recovered in 2010, provincial governments coped with rising health costs in the context of significant revenue challenges, presenting some difficult policy choices. Big social policy questions that governments confronted, and on which the Institute published unique research, also included employment rates, and education performance and outcomes.

The province of Quebec, reacting to a deficit driven by falling revenues and rising healthcare spending, proposed a healthcare deductible – a health user fee – in its 2010 budget. Mark Stabile and Sevil N-Marandi evaluated the revenue generating potential vis-à-vis the distributional effects of the deductible. In late 2010, Quebec backed away from the proposal – a decision endorsed by the authors.

The recession's impact on employment raised questions about social assistance design, and in "Down but Not Out: Reforming Social Assistance Rules that Punish the Poor for Saving," John Stapleton argued that encouraging asset accumulation, even in small amounts, is crucial in helping to lift people out of poverty.

The Institute's work continued to benefit from the efforts of Fellow-in-Residence John Richards, the Roger Phillips Social Policy Scholar, who drew the policy lessons from the drop-off in Canadian lone-parent poverty. Professor Richards found that a dramatic increase in employment had spurred major reductions in poverty for lone-parent families. Further behind these labour market improvements, the author says, were "tough love" initiatives that rendered access to welfare more difficult for the employable, and "soft love" measures to support working parents, such as better support for child care and the national child benefit system.

Using a carefully constructed and unique statistical approach for assessing schools' contributions to students' learning outcomes, thereby providing a measure of school performance, Education Policy Scholar David Johnson diagnosed and assessed results in Alberta's and British Columbia's schools and school boards. His research provides "apples-to-apples" comparisons that reveal "good" schools where principals, teachers and staff are making a positive difference in student performance.

Governance and Public Institutions

The Institute's governance and institutions work in 2010 was dominated by pension security and reform questions. We continue to be grateful for the advice and involvement of the Institute's Pension Policy Council, co-chaired by Nicholas Le Pan and Claude Lamoureux. The Council was launched in 2007 to identify strengths and shortfalls of Canada's retirement savings system, and make recommendations to ensure the integrity of pensions for the growing ranks of retired Canadians.

Related papers closely examined the arithmetic of pension adequacy. In "Canada's Looming Retirement Challenge," Kevin D. Moore, Senior Researcher at Statistics Canada's Modeling Division, William Robson, President and CEO of the C.D. Howe Institute, and Alexandre Laurin, Associate Director of Research at the Institute, examined whether Canadians will be able to maintain their living standards in retirement, and if policy needs to respond to the risk that some will experience painful declines. What makes this work unique is its use of advanced data and modeling tools to peer closely into the set of likely future outcomes.

In "The Public-Sector Pension Bubble: Time to Confront the Unmeasured Cost of Ottawa's Pensions," Alexandre Laurin and William Robson revealed that Ottawa's employee pension obligations are larger and more volatile than they appear, a problem shared by European and US state governments.

Other work examined retirement savings options across provinces, and recommended key reforms: pensions plan sponsors and members should clearly understand what benefits constitute a promise; funding rules, especially on amortization, should apply equally strictly when economic conditions are good and when times are bad and the risk of insolvency is higher; and regulations and governance should move more to risk-based supervision, alongside an upgrade of regulatory capacity.

Other important governance topics that received Institute attention included the legal or constitutional divide between regulation and legislation, when it comes to taxing power, fiscal accountability, governance of access to water and competition for it, agricultural supply management, and competition in municipal service delivery.

GOVERNANCE AND PUBLIC INSTITUTIONS PUBLICATIONS IN 2010

"Canada's Looming Retirement Challenge: Will Future Retirees Be Able to Maintain Their Living Standards Upon Retirement?" Kevin D. Moore, Alexandre Laurin, and William Robson

"The Public-Sector Pension Bubble: Time to Confront the Unmeasured Cost of Ottawa's Pensions," Alexandre Laurin and William Robson

"Seeking Certainty in Uncertain Times: A Review of Recent Government-Sponsored Studies on the Regulation of Canadian Pension Plans," Bob Baldwin and Brian FitzGerald

"Picking up Savings: The Benefits of Competition in Municipal Waste Services," Benjamin Dachis

"Unbalanced Books: How to Improve Toronto's Fiscal Accountability," Colin Busby, Benjamin Dachis and William B.P. Robson

"Freeing up Food: The Ongoing Cost, and Potential Reform, of Supply Management," Colin Busby and William B.P. Robson

"Ontario's Green Energy "Fee": The Trouble with Taxation through Regulation," Benjamin Alarie and Finn Poschmann

"The Competition for Water: Striking a Balance among Social, Environmental, and Economic Needs," Henning Bjornlund

"The Piggy Bank Index: Matching Canadians' Saving Rates to Their Retirement Dreams," David A. Dodge, Alexandre Laurin, and Colin Busby

"Cutting Through Pension Complexity: Easy Steps Forward for the 2010 Federal Budget," William B.P. Robson

"Supporting Employees Who Deploy: The Case for Financial Assistance to Employers of Military Reservists," Colin Busby

MEMBERS OF THE PENSION POLICY COUNCIL IN 2010

CO-CHAIRS

Claude Lamoureux, Former President & CEO of the Ontario Teachers' Pension Plan

Nick Le Pan, Former Superintendent of Financial Institutions, Canada

Advisory Council Members

Keith Ambachtsheer, International Centre for Pension Management

Bob Baldwin

Leo de Bever, Alberta Investment Management Corporation (AIMCo)

Steve Bonnar

Elizabeth Brown, Hicks Morley Hamilton Stewart Storie LLP

Peter Drake, Fidelity Investments

Brian FitzGerald, Capital G Consulting Inc.

Bruce Gordon, Manulife Financial Canada

Barry Gros, AON Consulting

Malcolm Hamilton, Mercer Human Resource Consulting Limited

Bryan Hocking/Scott Perkin, Association of Canadian Pension Management

Bill Kyle, The Great-West Life Assurance Company

Ian Markham, Towers Watson

Bernard Morency, Caisse de dépôt et placement du Québec

Michael Nobrega, Ontario Municipal Employees' Retirement System

Ellen Nygaard, Alberta Finance and Enterprises

James Pierlot

Jim Pesando, University of Toronto

John Por, Cortex Applied Research

Tom Reid, Sun Life Financial Inc.

Jeremy Rudin, Department of Finance

Tammy Schirle, Wilfrid Laurier University

Terri Troy, Pension Investment Association

Fred Vettese, Morneau Shepell

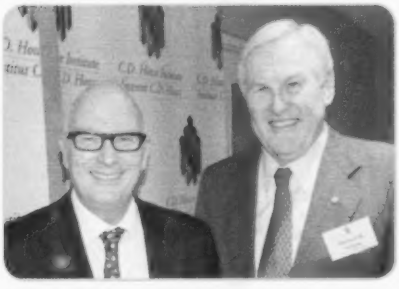
François Weldon, Human Resources & Social Development Canada

Barbara Zvan, Ontario Teachers' Pension Plan

2010 EVENTS AT A GLANCE

The Right Honourable Stephen Harper, Prime Minister of Canada

Preeti Saran, India's Consul to Toronto, S. M. Gavai, High Commissioner for India to Canada, and Institute board member Hugh MacKinnon, CEO, Bennett Jones



Ambassador Ross Hornby and The Hon. Michael Wilson

JANUARY 19: CONFERENCE

Price Regulation and Social Welfare: The Case of Automobile Insurance in Canada

Cara Blank, Chief Property and Casualty Actuary, Government of Massachusetts; Janet Ecker, President, Toronto Financial Services Alliance; Bob Fitzgerald, EVP, Chief Marketing & Underwriting Officer, Aviva Canada Inc.; Don Forgeron, President & CEO, Insurance Bureau of Canada; Philip Howell, CEO and Superintendent of Financial Services, Financial Services Commission of Ontario; Mary Kelly, Associate Professor, Finance and Insurance, Wilfred Laurier University; Rafal Lapkowski, Trade and Economic Advisor and Second Secretary, European Union Delegation to Canada; Frederick Lazar, Department of Economics, Faculty of Arts, York University; Saskia Matheson, Director of Enterprise Risk Management, Allstate Insurance Company of Canada; Finn Poschmann, Vice President, Research, C.D. Howe Institute; Sharon Tennyson, Associate Professor, Cornell University; and Ralph A. Winter, Canada Research Chair in Business Econ & Policy, Sauder School of Business

JANUARY 20: ROUNDTABLE

Keeping Canada's Competitive Advantage in Banking

Nancy Hughes Anthony, President and CEO, Canadian Bankers Association

JANUARY 20: SPECIAL EVENT

Pre-budget Consultation with Prime Minister

Stephen Harper

Senior staff and Board of Directors

FEBRUARY 3: CONFERENCE

Conference: The Costs and Benefits of an Integrated North American Cap-and-Trade Policy

Gary Hufbauer, Senior Fellow, Peterson Institute for International Economics; James Bradbury, Senior Associate, World Resources Institute; Gary N. Horlick, Law Offices of Gary N. Horlick; Jeffrey Schott, Senior Fellow, Peterson Institute for International Economics; Carolyn Fischer, Senior Fellow, Resources for the Future; Dave Sawyer, Enviroeconomics; and The Honourable Gary Doer, Canadian Ambassador to the United States

FEBRUARY 4: ROUNDTABLE

Storm Warnings: Demographic Pressures and Policy Options in Atlantic Canada

E.C. Dodds, President, Saint Mary's University

FEBRUARY 5: ROUNDTABLE

The Race is On: Toyota's Innovative Approach to the Canadian Auto Market

Stephen Beatty, Managing Director, Toyota Canada Inc.

FEBRUARY 16: ROUNDTABLE

A Clean and Sustainable Energy Future: Hydro Québec's Perspective

Thierry Vandal, President and CEO, Hydro Québec

FEBRUARY 17: ROUNDTABLE

The Bank of Canada's Liquidity Facilities: Past, Present and Future

David Longworth, Deputy Governor, Bank of Canada

MARCH 9: ROUNDTABLE

2010 Post Budget Debriefing

Michael Horgan, Deputy Minister, Finance Canada

MARCH 10: ROUNDTABLE

The Evolving Structure of Financial Regulation: An International Perspective

Tiff Macklem, Associate Deputy Minister & G7 Deputy for Canada, Finance Canada

MARCH 25: ROUNDTABLE

Canada and the Rise of India

His Excellency S. M. Gavai, High Commissioner for India to Canada

MARCH 30: ROUNDTABLE

2010 Ontario Budget Debriefing

Peter Wallace, Deputy Minister and Secretary of the Treasury Board, Ontario Ministry of Finance

April 12: INAUGURAL CARL BEIGIE MEMORIAL ROUNDTABLE

The Border and our Mutual Defence of North America

David Jacobson, U.S. Ambassador to Canada

APRIL 16: ROUNDTABLE

Canada's National Security: Issues in 2010

Richard B. Fadden, Director, Canadian Security Intelligence Service

APRIL 20: ROUNDTABLE

Can the G20 Survive the Global Financial Crisis?

Wendy Dobson, Professor and Director, Rotman School of Management, Institute for International Business, University of Toronto

APRIL 22: ROUNDTABLE

The Real Value behind Canada's Commodity Conundrum

Elyse Allan, President and CEO, GE Canada

MAY 4 AND 11: POLICY DEBATE

Presented by the Woodrow Wilson International Centre for Scholars

Buy American / Buy Canadian: The New Protectionism?

William B.P. Robson, President & CEO, C.D. Howe Institute; Robert Baugh, Executive Director, AFL-CIO Industrial Union Council

2010 EVENTS AT A GLANCE

MAY 6 & 7: CONFERENCE

Boom and Bust Again: Policy Challenges for Alberta's Commodity-based Economy

Two-day conference organized in partnership with the University of Alberta's Institute for Public Economics.

Speakers were: Mark Anielski, author, The Economics of Happiness; Bob Ascah, U. of Alberta; Ken Boessenkool, GCI Canada; Paul Boothe, Industry Canada; Jason Brebon, U. of Alberta; Colin Busby, C.D. Howe Institute; Edward Chambers, U. of Alberta; Bev Dahlby, U. of Alberta; Dr. Stephen Duckett, Alberta Health Services; Herbert Emery, U. of Calgary; Brad Ferguson, PricewaterhouseCoopers; Roger Gibbins, Canada West Foundation; Linda Hughes, U. of Alberta; Brad Humphreys, U. of Alberta; Ron Kneebone, U. of Calgary; Stuart Landon, U. of Alberta; Andrew Leach, U. of Alberta; Kathleen Macaspac, U. of Alberta; Victor Matheson, College of the Holy Cross; Hon. Anne McLellan, Bennett Jones LLP and U. of Alberta; Shirley McClellan, U. of Alberta; Mel McMillan, U. of Alberta; Carman R. McNary, Fraser Milner Casgrain; Hon. Ted Morton, Alberta Minister of Finance and Enterprise; John Murray, Deputy Governor, Bank of Canada; Al O'Brien, U. of Alberta; Rolando Ossowski, International Monetary Fund; William Robson, C.D. Howe Institute; David Ryan, U. of Alberta; Barry Scholnick, U. of Alberta; Constance Smith, U. of Alberta; Doug West, U. of Alberta

MAY 7: ROUNDTABLE

Canada's Retirement Income System: The Role of Tax-Assisted Private Savings

The Hon. James M. Flaherty, Minister of Finance

MAY 10: ROUNDTABLE

The Private Sector Solution to the Pension "Crisis"

Frank Swedlove, President, Canadian Life and Health Insurance Association Inc.

MAY 12: MINTZ ECONOMIC POLICY SEMINAR

Train Wreck: Status Report on America's Looming Fiscal Crisis

William Gale, Senior Fellow and Arjay and Frances Miller Chair in Economic Policy, The Brookings Institution

MAY 17: SPECIAL EVENT

C.D. Howe Institute Monetary Policy Endowment Dinner

Mark Carney, Bank of Canada Governor, David Dodge, Institute Chair and former Bank of Canada Governor, and Christopher Ragan, McGill professor and David Dodge Chair in Monetary Policy, C.D. Howe Institute

MAY 20: ROUNDTABLE

Healthcare Reform Luncheon

David Dodge, Senior Advisor, Bennett Jones LLP and former Governor, Bank of Canada, William B.P. Robson, President and Chief Executive Officer, C.D. Howe Institute, and Monte Solberg, Senior Advisor, Heishman Hillard Canada Inc.

SEPTEMBER 8: SPECIAL EVENT

Global Imbalances, Sovereign Debt Risk and the Potential for a Double Dip Recession

Dinner/Lecture with Dr. Nouriel Roubini, Chair, Roubini Global Economics and Professor, NYU Stern School of Business

SEPTEMBER 9: ROUNDTABLE

Tackling Manitoba's Big Challenges: Demographics, Fiscal Pressures, and the Role of Government

William Robson, President and CEO, C.D. Howe Institute; Peter Holle, President, Frontier Centre for Public Policy; and Colin Busby, Policy Analyst, C.D. Howe Institute

SEPTEMBER 13: ROUNDTABLE

What Will the OECD Say About Canada in its Upcoming Economic Survey?

Peter Jarrett, Head of Division, Country Studies Division 1, OECD and Evan Guillemette, Analyst, Canada/New Zealand Division, OECD

SEPTEMBER 15: ROUNDTABLE

The Auto Industry in Canada: Facing the Inflection Point

David Mondragon, President and CEO, Ford Motor Company of Canada, Limited

SEPTEMBER 24: ROUNDTABLE

Government restraint, deficit reduction and Canada's economic prosperity

The Hon. Stockwell Day, President, Treasury Board of Canada

SEPTEMBER 30: POLICY SPEECH

The Fiscal Impact of the Crisis and Implications for Canadian Business

William B.P. Robson, President & CEO, C.D. Howe Institute

SEPTEMBER 30: ROUNDTABLE

Alberta's Clean Energy Future

The Hon. Rob Renner, Alberta Minister of the Environment

OCTOBER 5: CONFERENCE

Canada's Monetary Policy Regime after 2011

John Crow, Chair, The Public Accountants Council; Don Drummond; Paul Jenkins; David Laidler, Fellow in Residence, C.D. Howe Institute; David Longworth; Angelo Melino, Professor of Economics, University of Toronto; Michael Parkin, Professor Emeritus, University of Western Ontario; Christopher Ragan, Associate Professor, McGill University; William Robson, President and Chief Executive Officer, C.D. Howe Institute; Gregor Smith, Douglas D. Purvis Professor of Economics, Queen's University; Wayne Smith, Chief Statistician of Canada, Statistics Canada; Gordon G. Thiessen, Director, Manulife Financial

OCTOBER 6: ROUNDTABLE

The Importance of Globally Competitive Airlines to Canada's Economic Future

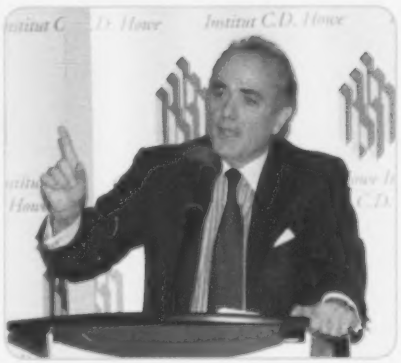
Calin Rovinescu, President and CEO, Air Canada

OCTOBER 8: SYLVIA OSTRY LECTURE

Canada-EU Relations at a Crossroads: What Does It Mean for Canada?

Ambassador Ross Hornby, Mission of Canada to the European Union

Board member Philip C. Deck, Professor Wendy Dobson, Bill Robson



Air Canada CEO Calin Rovinescu

More than 100 of the Institute's friends and supporters joined the Institute in Calgary on October 19th for a dinner/panel discussion on "The Next Expansion? Opportunities and Challenges for Entrepreneurs and Investors." The panel featured: Warren Jestin, Senior Vice President & Chief Economist, Scotiabank; Douglas Porter, Deputy Chief Economist and Managing Director, BMO Capital Markets; Avery Shenfeld, Managing Director & Chief Economist, CIBC World Markets, and Craig Wright, Senior Vice President & Chief Economist, RBC. We are deeply grateful for the Principal Sponsorship Support of General Electric; the Supporting Sponsorship Support of Deloitte and the generosity of the corporations, organizations and individuals that purchased tickets to the event

OCTOBER 15: ROUNDTABLE

If Countries Go Bankrupt, Who Will Do the Bailing?

Peter Bethlenfalvy, former Co President, Dominion Bond Rating Service (DBRS)

OCTOBER 19: POLICY DINNER

The Next Expansion? Opportunities and Challenges for Entrepreneurs and Investors

Warren Jestin, Senior Vice President & Chief Economist, Scotiabank; Douglas Porter, Deputy Chief Economist and Managing Director, BMO Capital Markets; Avery Shenfeld, Managing Director & Chief Economist, CIBC World Markets; Craig Wright, Senior Vice President & Chief Economist, RBC

OCTOBER 26: ROUNDTABLE

Electrical Power: Building on Canada's Legacy

Jan Carr, Board Member, Alberta Electric System Operator

OCTOBER 28: ROUNDTABLE

The Age of Austerity: Britain's Budget Challenges and Priorities

Anthony Cary, British High Commissioner to Canada

NOVEMBER 2: ROUNDTABLE

When Do Crown Corporations Compete Unfairly?

David Phillips, President and CEO, Credit Union Central of Canada

NOVEMBER 3: CONFERENCE

The Canadian Secured Credit Facility and the Future of the Term-ABS Market in Canada

Presenters included: David C. Allan, Financial Services Consultant; Paula Cruickshank, Vice President, Securitization, Business Development Bank of Canada; Nur Khan, Managing Director, Asset Back and Mortgage Backed Securitization, RBC; Jerry Marriott, Managing Director, Canadian RMBS/ABS Canadian Structured Finance, DBRS Ltd.; William B. P. Robson, President & CEO, C.D. Howe Institute; Jeremy Rudin, Assistant Deputy Minister, Department of Finance Canada; Julie Schlueter, Manager, Capital Markets, CNH Global NV; and Hugh Swandel, Principal, The Alta Group

NOVEMBER 5: ROUNDTABLE

New Directions in the Canada-China Relationship

David Mulroney, Ambassador of Canada to the People's Republic of China

NOVEMBER 15: ROUNDTABLE

Canada's Strong Housing Finance System: By Chance or By Design?

Karen Kinsley, President & CEO, Canada Mortgage and Housing Corporation

NOVEMBER 17: BENEFACTORS LECTURE

Critical Condition: The Prognosis for Canada's Aging Healthcare System

Michael Bliss, Distinguished Professor Emeritus, University of Toronto

NOVEMBER 23: ROUNDTABLE

Finance Canada's View of the Financial Outlook

Michael Horgan, Deputy Minister, Finance Canada

NOVEMBER 25: ROUNDTABLE

The Future of Newspapers

John Stackhouse, Editor in chief, *The Globe and Mail*

NOVEMBER 26: ROUNDTABLE

The Bench and the Boardroom: When the Supreme Court Meets the Business World

The Right Honorable Madam Chief Justice Beverley McLachlin

NOVEMBER 30: ROUNDTABLE

What Today's CEO Should Fear Tomorrow

Richard Ward, CEO, Lloyd's

DECEMBER 1: ROUNDTABLE

The Open Ontario Plan for Jobs and Economic Growth

The Hon. Dwight Duncan, Ontario Minister of Finance

DECEMBER 8: CONFERENCE

Getting Pension Reform Done: Issues, Options and Next Steps

Presenters included: Keith Ambachtsheer, President, KPA Advisory Services Ltd.; Bob Baldwin; Steve Bonnar; Robert L. Brown, University of Waterloo; Malcolm Hamilton, Senior Partner, Mercer; Don Fuerst, Former Senior Partner and Retirement Consultant, Mercer; Keith Horner, Keith Horner Consulting; Emily Kessler, Senior Fellow, Intellectual Capital, Society of Actuaries; Alex Laurin, Associate Director of Research, C.D. Howe Institute; Marcus Robertson, Partner, Robertson, Eadie & Associates Ltd; Kevin D. Moore, Senior Researcher, Modeling Division, Statistics Canada; Charlene Moriarty, Principal, Morneau Sobeco; Steve Orsini, Deputy Minister of Revenue and Associate Deputy Minister, Ontario Ministry of Finance; James Pierlot, Pension Lawyer & Consultant; Sue Reibel, Senior Vice President and General Manager, Group Retirement Solutions, Manulife Financial; Faisal Siddiqi, Principal and Consulting Actuary, Buck Consultants; Martine Sohier, Account Director, Towers Watson; Fred Vettese, Chief Actuary, Morneau Shepell; and Thomas Walker, Personal Consulting Actuary

DECEMBER 9: ROUNDTABLE

The Way Forward for Pensions in Canada

Allen Loney, President and Chief Executive Officer, Great-West Lifeco Inc.

DECEMBER 17: ROUNDTABLE

Canada-India: Where Knowledge Economies Meet

Stewart Beck, Canadian High Commissioner to the Republic of India

DEVELOPMENT AND GIVING

Member and subscriber support makes it possible for the Institute to mobilize outstanding scholars, push innovative ideas and foster sharper, smarter responses to current and future challenges.

- Annual memberships and subscriptions provide the backbone of our revenue and make all of our work possible.
- Targeted major gifts enable supporters to bolster the Institute's research and dissemination capacities in specific areas of interest. They complement the annual campaign, strengthening the Institute and enabling it to recruit scholars and support programs that strengthen its ability to develop innovative solutions to policy challenges.

An increase in major gifts and event sponsorships enabled the Institute to enhance its conference and research programs in 2010. The Institute's strong performance would not have been possible in the absence of support from the following contributors:

Alberta Environment
Alberta Water Research Institute
Aurea Foundation
Bennett Jones LLP
Business Development Bank of Canada
David Dodge
Deloitte
Environment Canada
The Forum of Federations
Harold Crabtree Foundation
Insurance Bureau of Canada
Max Bell Foundation
Morrison Foundation
Ontario Waste Management Association
Osler, Hoskin & Harcourt LLP
Pfizer Canada Inc.
Society of Actuaries

Monetary Policy Endowment

Two years ago, in the wake of the global financial crisis, a group composed of Institute and Bank economists, corporate leaders, and former Bank of Canada governors came together, and set out to create Canada's foremost independent program for monetary policy research.

The Institute raised $1.725 million in combined commitments from Founding Lead Sponsors BMO Financial Group; CIBC; RBC; Scotiabank Group; and TD Bank Financial Group, and Founding Supporting Sponsors Great-West Life, London Life and Canada Life; Manulife Financial Corporation; National Bank Financial Group; and Sun Life Financial.

In addition, close to 400 friends of the Institute attended a fundraising dinner on May 17th to celebrate the creation of the Monetary Policy Endowment and the naming of McGill professor Christopher Ragan as the inaugural holder of the David Dodge Chair. Ticket sales totalled more than $300,000.

Monetary Policy Dinner Table Purchasers

Accenture
Assuris
Bank of America Merrill Lynch
Bennett Jones LLP (2 tables)
BMO Bank of Montreal
BMO Capital Markets
Brookfield Renewable Power
BURNCO Group of Companies
Canadian Bankers Association
CIBC
Credit Union Central of Canada/Central 1 Credit Union
Davis & Henderson
Deloitte
Deutsche Bank AG
Ernst & Young LLP
Fasken Martineau
Fjord Capital Management
GE Canada
The Globe and Mail
Great-West Life, London Life and Canada Life
Hatch Investments Ltd.
HSBC Bank Canada
KPMG LLP
Laurentian Bank
Manulife Financial
Mercer
National Bank Financial Group (2 tables)
Open Text Corporation
Osler, Hoskin & Harcourt LLP
Paul J. Hill
RBC
RGA Life Reinsurance Company of Canada
Scotiabank
Sun Life Financial
TD Bank Financial Group
University of Alberta/ATB Financial
Walton Group of Companies

Half Tables

Canadian Federation of Independent Business
Canadian Western Bank
Gerald Heffernan
Royal LePage Real Estate Services

The Funded Scholars Program

The Funded Scholars Program enables the C.D. Howe Institute to engage leading scholars, for a portion of their time, to participate actively in its research program. Chairs are selected on the basis of their record of scholarship and supported by the generous donations of several organizations. We would like to acknowledge the following organizations and individuals who participated in the Program during 2010.

- Roger Phillips for his support of John Richards, Phillips Scholar in Social Policy;
- The donors to the Institute's Monetary Policy Initiative for their support of David Laidler as a Fellow-in-Residence.
- The donors to the Institute's Monetary Policy Initiative for their support of Christopher Ragan as the David Dodge Chair in Monetary Policy.

2010 Scholars

Fellows-in-Residence
Bev Dahlby
Jean-Yves Duclos
David R. Johnson
David Laidler
Christopher Ragan
John Richards

Senior Fellows
John W. Crow
Don Drummond
Ivan P. Fellegi
Claude Forget
Frederick W. Gorbet
Ron Hicks
Paul Jenkins
Thomas E. Kierans
Nicholas Le Pan
Peter Meekison
Al O'Brien
Sylvia Ostry
Grant L. Reuber
Gordon G. Thiessen

Research Fellows
Alan Alexandroff
Charles Beach
Richard Bird
Marcel Boyer
John Chant
Miles Corak
James Davies
W. Erwin Diewert
Wendy Dobson
Ross Finnie
Pierre Fortin
Charles Freedman
Michael Hart
John Helliwell
Dr. Ian Irvine
Mark Jaccard
Jon Kesselman
David Longworth
Paul R. Masson
Angelo Melino
Kevin Milligan
Frank Milne
Patrick J. Monahan
Alice Nakamura
Nancy Olewiler
Michael Parkin
Angela Redish
William Scarth
Pierre Siklos
Michael Smart
Arthur Sweetman
Michael Trebilcock
Daniel Trefler
William Watson
Thomas A. Wilson
Robert Young

International Fellows
Rosanne Altshuler
Alan J. Auerbach
Richard Blundell
Timothy Brennan
Thiess Buettner
Willem H. Buiter
Janet Currie
Arnold C. Harberger
Peter Howitt
Neil Quigley
Hans Werner Sinn
Joel Slemrod

THE INSTITUTE'S PEOPLE

Philippe Bergevin
Policy Analyst

Kyle Boyko
Development Coordinator

Colin Busby
Senior Policy Analyst

Benjamin Dachis
Policy Analyst

Aline Emirzian
Event Financial & Administration Coordinator

Nairy Emirzian
Development and Membership Coordinator

James Fleming
Editor and Director of Media

Madelaine Gileadi
Conference and Special Event Officer

Sarah Harrington
Office Coordinator

Kristine Gray
Senior Coordinator, Research and Executive Assistant to the Vice President, Research

Alyson Henry
Librarian and Information Services Coordinator

Rowena Jeffers
Director of Accounting and Administration

Julie Kelsey
Senior Event Planner

Hal Koblin
Director of Communications

Alexandre Laurin
Associate Director of Research

Warren Mahomed
System and Database Administrator

Trevor Mayoh
Development Officer

Jessica Millar
Manager, Special Projects and Events

Duncan Munn
Senior Vice President and Chief Operating Officer

Finn Poschmann
Vice President, Research

Joan Price
Corporate Secretary and Executive Assistant to the President and CEO

William B.P. Robson
President and CEO

Daniel Schwanen
Associate Vice President, International and Trade Policy

Yang Zhao
Desktop and Production Assistant

THE INSTITUTE'S MEMBERS

Universities and Colleges

Athabasca University
Cape Breton University
Carleton University
HEC Montréal
Laval University
McMaster University
Northern Alberta Institute of Technology
Queen's University
Ryerson University
The University of Calgary
The University of Lethbridge
The University of Western Ontario
Université de Sherbrooke
University of Alberta
University of British Columbia
University of Manitoba
University of Ottawa
University of Saskatchewan
University of Toronto
Wilfrid Laurier University

Individuals

Andrew Abouchar
Francis R. Allen
KPA Advisory Services Ltd.
W.F.C. (Rick) Baker
John Bell
Jalynn H. Bennett
Michel Benoit
Peter Bethlenfalvy
William Black
R.A.N. Bonnycastle
Justin Brown
Gordon Bruce
Peter Buzzi
Robert C. Caldwell
Kenneth Christoffel
Jack Cockwell
Marshall A. Cohen
E. Kendall Cork
Marcel Côté
Glen Cronkwright
Dann Cushing
Thomas P. d'Aquino
Bryan and Malkin Dare
MKS Inc.
Laurent Desbois
Jim Dinning
Rod Dobson
Wendy Dobson
Stephen Dulmage
Janet Ecker
Timothy M. Egan
William F. Empey
Will Falk
James D. Fleck
Briar Foster
Shaun Francis
Fred Gorbet
Peter Goring
John A.G. Grant
James K. Gray
Douglas Grundy
John Haag
Geoffrey Hale
Mary and Graham Hallward
C. M. Harding Foundation
Gerald Hatch
Mark Hawman
G.R. Heffernan
Lawrence Herman
Jim Hinds
Rebecca Horwood
Dallas Howe
Peter Hunt
H. Douglas Hunter
Julien Hutchinson
Richard W. Ivey
W. Edwin Jarmain
Jon R. Johnson
Robert Johnstone
John A. Kazanjian
Kenneth Kelly
Claire M.C. Kennedy
Thomas E. Kierans
James T. Kieran
Warren Laing
David A. Leslie
Henry Lotin
J.W. (Wes) MacAleer
John MacNaughton
R.B. (Biff) Matthews
James W. McCutcheon
James P. McIlroy
Steven McNair
John D. McNeil
Jack Mintz
Bruce H. Mitchell
William Molson, CA
Gary P. Mooney
Russell J. Morrison
E.W. Orde Morton
John P. Mulvihill
Edward P. Neufeld
James S. Palmer, C.M., AOE, Q.C.
Nick Pantaleo, FCA
Robert B. Pletch
Anne Poschmann
Donald S. Reimer
H. Sanford Riley
Philip Robson
W.P. Rosenfeld, Q.C.
Fred P. Rumak
Guylaine Saucier
Brian Shaw
Mary-Anne Sillamaa
Helen K. Sinclair
Andrew Spence
Philip Spencer, Q.C.
Wayne Steadman
Christopher Sweeney
Henry W. Sykes, QC
Thomas H.B. Symons
Frederick H. Telmer
John D. Tennant
Craig C. Thorburn
Robert J. Turner
Warren Viegas
Alfred G. Wirth
Adam H. Zimmerman
Luke Zygalko

Corporate, Association and Foundation Members

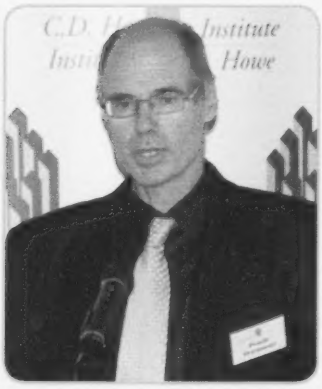
Advocis
AGF Management Limited
Agnico-Eagle Mines Ltd.
Algoma Central Corporation
Alpha Group
Altus Group
AON Consulting
ARC Financial Corp.
Association of Canadian Pension Management
Assuris
Astral Media Inc.
ATB Financial
ATCO Ltd. & Canadian Utilities Limited
Balancing Pool
Bank of America Merrill Lynch
Barrick Gold Corporation
Benecaid
Bennett Jones LLP
Blake Cassels & Graydon LLP
BMO Financial Group
BMO Life Assurance Company
Bombardier Inc.
Borden Ladner Gervais LLP
Brookfield Asset Management Inc.
Brookfield Renewable Power
Bruce Power
BURNCO Group of Companies
Business Council of British Columbia
Business Development Bank of Canada
Cadillac Fairview Corp. Ltd.
Caisse de dépôt et placement du Québec
Campbell Strategies
Canada Deposit Insurance Corporation
Canada Overseas Investments Limited
Canadian Association of Petroleum Producers
Canadian Bankers Association
Canadian Chamber of Commerce
Canadian Energy Pipeline Association
Canadian Federation of Independent Business
Canadian Finance & Leasing Association
Canadian Gas Association
Canadian Imperial Bank of Commerce
Canadian Life and Health Insurance Association Inc.
Canadian Oil Sands Limited
Canadian Pacific Railway
Canadian Tax Foundation
Canadian Western Bank
Canam Group Inc.
Candor Investments Ltd.

David A. Dodge

Elyse Allen (Board Member, GE Canada CEO) with Rob Prichard, Chair, Torys LLP

THE INSTITUTE'S MEMBERS

Karen Kinsley
President and CEO, CMHC



Don Drummond,
Incoming co-chair of the Fiscal and Tax Competitiveness Council

Cargill Limited
CCL Group Inc.
Cenovus Energy Inc.
Certified General Accountants Association of Alberta
Certified General Accountants of Ontario
Chemistry Industry Association of Canada
Clairvest Group Inc.
Clearwater Fine Foods Inc.
CN
Coast Capital Savings Credit Union
Cogeco Inc.
Credit Union Central of Canada
Deloitte
Desjardins Group
Dessau
Deutsche Bank AG, Canada Branch
Devon Canada Corporation
Donner Canadian Foundation
E.H. Price Limited
E.I. du Pont Canada Company
Economap Inc.
Edco Financial Holdings Ltd.
Edmonton Economic Development Corporation
E.L. Financial Corporation Limited
Enbridge
Energy Council of Canada
Ensign Energy Services Inc.
Ernst & Young LLP
Export Development Canada
Fednav Limited
Fidelity Investments
Fiera Sceptre Inc.
Financial Executives International Canada
First National Financial LP
Fleishman-Hillard Canada
Ford Motor Company of Canada, Limited
Forest Products Association of Canada
Four Halls Inc.
GE Canada
Gibson Energy ULC
Gluskin Sheff + Associates Inc.
Goal Group of Companies
Grant Thornton LLP
Greater Saskatoon Chamber of Commerce
Groupe Aeroplan
Harvard Developments Inc., A Hill Company
HSBC Bank Canada
Hydro One Inc.
Hydro-Québec
Imperial Oil Limited
Imperial Tobacco Canada Limited
Independent Electricity System Operator
Insurance Bureau of Canada
Investment Industry Association of Canada
Investment Industry Regulatory Organization of Canada
Investors Group
J.P. Morgan Securities Canada Inc.
Jackman Foundation
Jarislowsky, Fraser Limited
John Dobson Foundation
Kal Tire Ltd.
Kinross Gold Corporation
KPMG LLP
La Jolla Resources International Ltd.
Lehigh Hanson Materials Limited
Madab Enterprises
Manulife Financial
Maritz Canada Inc.
Max Bell Foundation
McCarthy Tétrault LLP
MD Physician Services
Medisys Health Group
Mercer
Metro Inc.
Minto Group Inc.
Monarch Corporation
Monitor Group
Morgan Meighen & Associates
Morneau Shepell
Mosaic Canada
Mullen Group Income Fund
National Bank of Canada
NAV CANADA
New Brunswick Power Corporation
Nexen Inc.
Onex Corporation
Ontario Centres of Excellence Inc.
Ontario Energy Board
Ontario Municipal Employees Retirement System
Ontario Power Generation Inc.
Ontario Teachers' Pension Plan
Ontario Trillium Foundation
Open Text Corporation
O'Regan's Automotive Group
Osler, Hoskin & Harcourt LLP
Pfizer Canada Inc.
Pirie Foundation
Potash Corporation of Saskatchewan Inc.
Power Corporation of Canada
Procom Consultants Group Ltd.
Procter & Gamble Inc.
Promontory Financial Group Canada
Property and Casualty Insurance Compensation
PwC
RBC Financial Group
Rogers Communications Inc.
SaskTel
Scotiabank
Shell Canada Limited
SNC-Lavalin Group Inc.
Société générale de financement du Québec
Standard Life
Stewart McKelvey
Sun Life Financial Inc.
Suncor Energy Inc.
Swiss Bankers Association
Talisman Energy Inc.
Tax Executives Institute, Inc.
TD Bank Financial Group
Teck Cominco Limited
Telus
The Canadian Institute of Chartered Accountants
The Great-West Life Assurance Company, London Life Insurance Company and Canada Life
The Institute for Competitiveness and Prosperity
The Investment Funds Institute of Canada
The Princess Margaret Hospital Foundation
The Railway Association of Canada
The Toronto Board of Trade
ThyssenKrupp Canada, Inc.
Torys LLP
Towers Watson
TransAlta Corporation
Transat A.T. Inc.
TransCanada Corporation
UPS Canada
Vale Inco Limited
Via Rail Canada Inc.
Visa Canada
Viterra
Walton Group of Companies
Wawanesa Insurance
Weston Forest Products Inc.
Workplace Safety & Insurance Board
Zurich Canada

The views expressed in C.D. Howe Institute publications do not necessarily reflect those of its members.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of
C.D. Howe Institute

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2010, and the summary statements of revenue and expenses and changes in fund balances for the year then ended, and related notes are derived from the audited financial statements of the C.D. Howe Institute (the "Institute") for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements in our report dated May 19, 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Institute.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the basis described in the Note.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Institute for the year ended December 31, 2010 are consistent, in all material respects, with those financial statements, in accordance with the basis described in the Note.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
May 19, 2011

C.D. Howe Institute
Summary Balance Sheet
As at December 31, 2010

	2010	2009
	$	$
Assets		
Current		
Cash	**467,411**	329,240
Short-term investments	**5,727,368**	5,281,106
Accounts receivable	**319,726**	203,032
Prepaid expenses	**6 3,998**	37,666
	6,578,503	5,851,044
Capital assets	**390,462**	451,522
	6,968,965	6,302,566
Liabilities		
Current		
Accounts payable and accrued liabilities	**124,467**	123,959
Deferred revenue	**1,440,180**	1,320,902
	1,564,647	1,444,861
Long-term		
Deferred capital contributions	**333,657**	357,620
Deferred rent	**234,527**	230,446
	568,184	588,066
	2,132,831	2,032,927
Fund balances		
Invested in capital assets	**56,805**	93,902
Operating	**1,401,388**	1,304,081
Endowment funds	**3,377,941**	2,871,656
	4,836,134	4,269,639
	6,968,965	6,302,566

C.D. Howe Institute
Note to the summary financial statements
December 31, 2010

Basis of the summary financial statements

The C.D. Howe Institute (the "Institute") has prepared these summary financial statements to be included as part of their annual report. The Institute has determined that the level of aggregation presented is adequate for the readers of the annual report.

The audited financial statements can be obtained from the Institute.

C.D. Howe Institute
Summary Statement of Revenue and Expenses
Year Ended December 31, 2010

	2010	2009
	$	$
Revenue		
Contributions and subscriptions	**2,859,299**	2,520,153
Meetings revenue	**527,894**	489,982
Interest income	**12,798**	35,440
Endowment revenue	**15,664**	32,039
Sale of publications and sponsorships	**50,236**	31,152
Contract revenue	**10,987**	38,623
	3,476,878	3,147,389
Expenses		
Research, administrative and project expenses	**3,322,963**	3,048,431
Amortization	**95,400**	97,361
	3,418,363	3,145,792
Excess of revenue over expenses for the year	**58,515**	1,597

C.D. Howe Institute
Summary Statement of Changes in Fund Balances
Year Ended December 31, 2010

				2010	2009
	Invested in Capital Assets Fund	Operating Fund	Endowment Funds	Total	Total
	$	$	$	$	$
Balances, beginning of year	**93,902**	**1,304,081**	**2,871,656**	**4,269,639**	3,836,461
Excess of revenue over expenses for the year	**(71,437)**	**129,952**	**–**	**58,515**	1,597
Changes to unrealized gains (losses) on short-term investments	**–**	**1,695**	**6,079**	**7,774**	(10,671)
Unrealized gains (losses) on short-term investments	**–**	**–**	**172**	**172**	(7,774)
Contributions received during the year	**–**	**–**	**491,351**	**491,351**	429,120
Excess of endowment revenue over expenses	**–**	**–**	**8,683**	**8,683**	20,906
Purchases of capital assets	**34,340**	**(34,340)**	**–**	**–**	–
Balances, end of year	**56,805**	**1,401,388**	**3,377,941**	**4,836,134**	4,269,639

During the year, the endowments earned investment income of $24,347 (2009 – $52,945). Of this amount, $2,164 (2009 – $15,229) was spent on events and $13,500 (2009 – $16,810) on a Scholar. The $15,664 (2009 – $32,039) is included in the summary statement of revenue and expenses as endowment revenue and in research, administrative and project expenses, respectively. The unspent amount for the year of $8,863 (2009 – $20,906) is included in the Endowment Fund balance.